

Ms. Patricia A. McLeod, Administrator  
Oakhaven, Inc.  
Post Office Box 516  
Darlington, South Carolina 29532

Re: AC# 3-OKH-J3 – Oakhaven, Inc.

Dear Ms. McLeod:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1992 through September 30, 1993. That report was used to set the rate covering the contract periods beginning October 1, 1994.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Edgar A. Vaughn, Jr., CPA  
State Auditor

EAVjr/tdc

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Mac Carroll

**OAKHAVEN, INC.**  
**DARLINGTON, SOUTH CAROLINA**

**CONTRACT PERIODS**  
**BEGINNING OCTOBER 1, 1994**  
**AC# 3-OKH-J3**

**REPORT ON CONTRACT**  
**FOR**  
**PURCHASE OF NURSING CARE SERVICES**  
**WITH**  
**STATE OF SOUTH CAROLINA**  
**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

June 10, 1997

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Oakhaven, Inc., for the contract periods beginning October 1, 1994 and for the twelve month cost report period ended September 30, 1993, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Oakhaven, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summaries of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Oakhaven, Inc. dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the South Carolina Department of Health and Human Services and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Edgar A. Vaughn, Jr., CPA  
State Auditor

**OAKHAVEN, INC.**  
Computation of Rate Change  
For the Contract Periods  
Beginning October 1, 1994  
AC# 3-OKH-J3

	<u>10/01/94-</u> <u>12/31/94</u>	<u>01/01/95-</u> <u>09/30/95</u>
Interim reimbursement rate (1)	\$68.86	\$68.86
Adjusted reimbursement rate	<u>67.69</u>	<u>67.69</u>
Decrease in reimbursement rate	\$ <u><u>1.17</u></u>	\$ <u><u>1.17</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated May 15, 1997

# OAKHAVEN, INC.

Computation of Adjusted Reimbursement Rate  
For the Contract Period October 1, 1994 Through December 31, 1994  
AC# 3-OKH-J3

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$2.64	\$29.40	\$37.76	\$29.40
Dietary	<u>-</u>	<u>12.08</u>	<u>8.77</u>	<u>8.77</u>
Subtotal	<u>\$2.64</u>	41.48	46.53	38.17
Laundry/Housekeeping/Maint.	\$ -	7.19	6.74	6.74
Administration & Med. Rec.	<u>-</u>	<u>7.79</u>	<u>7.35</u>	<u>7.35</u>
Subtotal	<u>\$ -</u>	56.46	<u>\$60.62</u>	52.26
<u>Costs Not Subject to Standards:</u>				
Utilities		1.58		1.58
Special Services		-		-
Medical Supplies & Oxy.		2.01		2.01
Taxes and Insurance		1.07		1.07
Legal Fees		<u>.15</u>		<u>.15</u>
<b>TOTAL</b>		<u>\$61.27</u>		57.07
Inflation Factor (4.50%)				2.57
Cost of Capital				6.00
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive - For Gen. Serv. & Dietary				2.64
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				(1.14)
OTC/Nonlegend Drug Reimbursement				.25
Laundry Add-On				<u>.30</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$67.69</u>

# OAKHAVEN, INC.

Computation of Adjusted Reimbursement Rate  
For the Contract Periods January 1, 1995 Through September 30, 1995  
AC# 3-OKH-J3

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$2.64	\$29.40	\$37.76	\$29.40
Dietary	<u>-</u>	<u>12.08</u>	<u>8.77</u>	<u>8.77</u>
Subtotal	<u>\$2.64</u>	41.48	46.53	38.17
Laundry/Housekeeping/Maintenance	\$ -	7.19	6.74	6.74
Administration & Medical Records	<u>-</u>	<u>7.79</u>	<u>7.35</u>	<u>7.35</u>
Subtotal	<u>\$ -</u>	56.46	<u>\$60.62</u>	52.26
<u>Costs Not Subject to Standards:</u>				
Utilities		1.58		1.58
Special Services		-		-
Medical Supplies & Oxygen		2.01		2.01
Taxes and Insurance		1.07		1.07
Legal Fees		<u>.15</u>		<u>.15</u>
<b>TOTAL</b>		<u>\$61.27</u>		57.07
Inflation Factor (4.50%)				2.57
Cost of Capital				6.00
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive - For General Service & Dietary				2.64
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				(1.14)
OTC/Nonlegend Drug Reimbursement				.25
Laundry Add-On				<u>.30</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$67.69</u>



**OAKHAVEN, INC.**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 1993  
 For the Contract Period October 1, 1994 Through December 31, 1994  
 AC# 3-OKH-J3

<u>EXPENSES</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments		Adjusted Totals
		<u>Debit</u>	<u>Credit</u>	
General Services	\$ 940,785	\$ 3,361(5) 207(5)	\$ 2,942(2) 6,777(6) 558(6)	\$ 934,076
Dietary	340,367	11,694(10) 363,939(11) 33(5)	332,071(9)	383,962
Laundry	62,185	13,388(3)	6,591(8)	68,982
Housekeeping	118,322	126(11) 407(5)	-	118,855
Maintenance	38,447	2,253(11) 38(5)	-	40,738
Administration & Medical Records	221,372	39,454(11) 6,380(12) 440(5)	20,149(6)	247,497
Utilities	45,572	4,538(11)	-	50,110
Special Services	-	-	-	-
Medical Supplies & Oxygen	80,754	15(5)	13,388(3) 3,358(6)	64,023
Taxes & Insurance	70,051	133(2) 1,309(11)	37,508(4)	33,985
Legal Fees	3,907	826(11)	-	4,733
Cost of Capital	184,137	1,267(2) 6,263(11)	1,096(7)	190,571
Subtotal	2,105,899	456,071	424,438	2,137,532

# OAKHAVEN, INC.

Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1993  
For the Contract Period October 1, 1994 Through December 31, 1994  
AC# 3-OKH-J3

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	18,203	6,777(6)	-	24,980
Non-Allowable	(98,665)	37,508(4) 6,591(8) 1,096(7)	6,380(12) 4,501(5)	(64,351)
Total Operating Expenses	<u>\$2,025,437</u>	<u>\$508,043</u>	<u>\$435,319</u>	<u>\$2,098,161</u>
TOTAL PATIENT DAYS	<u>31,774</u>	<u>-</u>	<u>-</u>	<u>31,774</u>
Total Beds	<u>88</u>			

**OAKHAVEN, INC.**

Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 1993  
 For the Contract Periods January 1, 1995 Through September 30, 1995  
 AC# 3-OKH-J3

<u>EXPENSES</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments		Adjusted Totals
		<u>Debit</u>	<u>Credit</u>	
General Services	\$ 940,785	\$ 3,361(5) 207(5)	\$ 2,942(2) 6,777(6) 558(6)	\$ 934,076
Dietary	340,367	11,694(10) 363,939(11) 33(5)	332,071(9)	383,962
Laundry	62,185	13,388(3)	6,591(8)	68,982
Housekeeping	118,322	126(11) 407(5)	-	118,855
Maintenance	38,447	2,253(11) 38(5)	-	40,738
Administration & Medical Records	221,372	39,454(11) 6,380(12) 440(5)	20,149(6)	247,497
Utilities	45,572	4,538(11)	-	50,110
Special Services	-	-	-	-
Medical Supplies & Oxygen	80,733	15(5)	13,388(3) 3,358(6)	64,002
Taxes & Insurance	70,051	133(2) 1,309(11)	37,508(4)	33,985
Legal Fees	3,907	826(11)	-	4,733
Cost of Capital	184,137	1,267(2) 6,263(11)	1,096(7)	190,571
Subtotal	2,105,878	456,071	424,438	2,137,511

**OAKHAVEN, INC.**

Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1993  
For the Contract Periods January 1, 1995 Through September 30, 1995  
AC# 3-OKH-J3

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	18,203	6,777(6)	-	24,980
Non-Allowable	(98,644)	37,508(4)	6,380(12)	(64,330)
		6,591(8)	4,501(5)	
		<u>1,096(7)</u>		
Total Operating Expenses	<u>\$2,025,437</u>	<u>\$508,043</u>	<u>\$435,319</u>	<u>\$2,098,161</u>
TOTAL PATIENT DAYS	<u>31,774</u>	<u>-</u>	<u>-</u>	<u>31,774</u>
Total Beds	<u>88</u>			

**OAKHAVEN, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 1993  
AC# 3-OKH-J3

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Building Other Equity	\$ 21,161	\$ 21,161
	To adjust fixed assets to allowable HIM-15-1, Sections 2102.3 and 2304 State Plan, Attachment 4.19D		
2	Movable Equipment Depreciation Taxes, License, and Insurance Nursing Accumulated Depreciation Other Equity	6,333 1,267 133	2,942 3,378 1,413
	To capitalize computer equipment and reclassify expense to the proper cost centers HIM-15-1, Sections 104.1 and 110 State Plan, Attachment 4.19D		
3	Laundry Medical Supplies	13,388	13,388
	To reclassify underpads to the proper cost center State Plan, Attachment 4.19D DH&HS Expense Crosswalk		
4	Nonallowable Taxes and Insurance	37,508	37,508
	To disallow DHEC permit taxes State Plan, Attachment 4.19D DH&HS Expense Crosswalk		

**OAKHAVEN, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 1993  
AC# 3-OKH-J3

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nursing	3,361	
	Restorative	207	
	Dietary	33	
	Housekeeping	407	
	Maintenance	38	
	Administration	440	
	Medical Supplies	15	
	Nonallowable		4,501
	To adjust group health insurance to allowable HIM-15-1, Section 2162		
6	Due to/from Wilson Hospital	23,507	
	Ancillary	6,777	
	Due to/from Medford Place	558	
	Administration		20,149
	Restorative		6,777
	Activities		558
	Medical Supplies		3,358
	To adjust home office salaries State Plan, Attachment 4.19D		
7	Nonallowable	1,096	
	Cost of Capital		1,096
	To adjust cost of capital to allowable State Plan, Attachment 4.19D		
8	Nonallowable	6,591	
	Laundry		6,591
	To adjust laundry cost to allowable HIM-15-1, Section 2304		
9	Due to/from Medford Place	332,071	
	Dietary		332,071
	To remove reported shared Dietary costs HIM-15-1, Section 2304		

**OAKHAVEN, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 1993  
AC# 3-OKH-J3

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Dietary Due to/from Medford	11,694	11,694
	To directly allocate nourishments HIM-15-1, Section 2304		
11	Cost of Capital Taxes and Insurance Administration Legal Maintenance Utilities Housekeeping Dietary Due to/from Medford	6,263 1,309 39,454 826 2,253 4,538 126 363,939	418,708
	To record shared dietary services HIM-15-1, Section 2304		
12	Administration Nonallowable	6,380	6,380
	To adjust accounting costs to allowable State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$891,673</u>	<u>\$891,673</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**OAKHAVEN, INC.**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1993  
AC# 3-OKH-J3

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>1.8981</u>
Deemed Asset Value (Per Bed)	29,644
Number of Beds	<u>88</u>
Deemed Asset Value	2,608,672
Improvements Since 9/30/81	304,771
Accumulated Depreciation at 9/30/93	<u>(988,194)</u>
Deemed Depreciated Value	1,925,249
Market Rate of Return	<u>.075</u>
Total Annual Return	144,394
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	144,394
Depreciation Expense	49,707
Amortization Expense	-
Capital Related Income Offsets	(3,530)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	190,571
Total Patient Days (Minimum 98% Occupancy)	<u>31,774</u>
Cost of Capital Per Diem	\$ <u><u>6.00</u></u>



**OAKHAVEN, INC.**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1993  
AC# 3-OKH-J3

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$3.97
Adjustment for Maximum Increase	<u>3.83</u>
Maximum Cost of Capital Per Diem	<u>\$7.80</u>
Reimbursable Cost of Capital Per Diem	\$6.00
Cost of Capital Per Diem	<u>6.00</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>